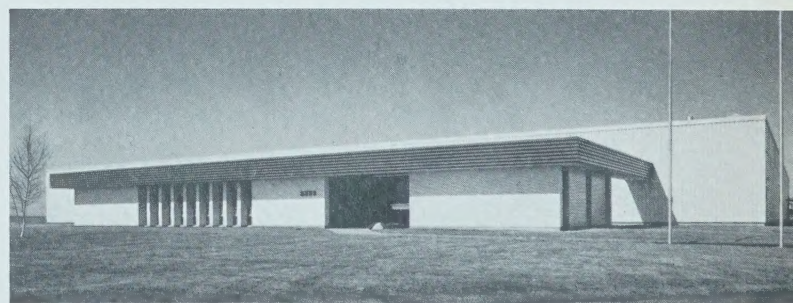


THE **AR31**
ORLANDO
REALTY
CORPORATION
LIMITED

ANNUAL REPORT 1970





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The Orlando Realty Corporation Limited

6205 Airport Road, Malton, Ontario

HIGHLIGHTS

	1970	1969
Area of Industrial & Commercial Buildings Owned as at year end	1,429,393 sq. ft.	1,005,300 sq. ft.
Area of Industrial & Commercial Buildings Completed During Year	1,253,590 sq. ft.	719,000 sq. ft.
Area of Industrial & Commercial Buildings Under Construction at Year End	333,862 sq. ft.	623,600 sq. ft.
Number of Apartment Units Owned	506 suites	506 suites
Land Available for Development (Held Directly & in Joint Ventures)		
Industrial, Commercial & Residential	514 acres	550 acres
Apartments	774 suites	774 suites
Total Assets	\$28,082,654	\$21,816,243
Gross Revenue	\$11,726,145	\$ 8,607,363
Net Rental Income	\$ 603,651	\$ 451,600
Net Earnings	\$ 749,482	\$ 723,900
Net Earnings Per Share	57.2¢	55.2¢
Cash Flow	\$ 1,517,824	\$ 1,264,573
Cash Flow Per Share	\$1.16	96.5¢

DIRECTORS

WILLIAM BARTOLINI
EDDIE FIDANI
OREY FIDANI
HEINZ HAMISH
ROSS MALCOLM HANBURY
VERN HEINRICHS
ALBERT PAGE
JOSEPH PATERSON

OFFICERS

OREY FIDANI — *President*
VERN HEINRICHS, P.Eng., M.B.A. — *Executive Vice-President*
EDDIE FIDANI — *Vice-President*
JOSEPH PATERSON — *Vice-President — Construction*
WILLIAM BARTOLINI — *Secretary*
HEINZ HAMISH — *Treasurer*
JOSEPH BOCCIA — *Vice-President — Paving Division*
JOHN BOCCIA — *Vice-President — Equipment Division*

TRANSFER AGENT AND REGISTRAR

GUARANTY TRUST CO. OF CANADA
Toronto

SHARE LISTING

TORONTO STOCK EXCHANGE

President's Report

To The Shareholders:

I am pleased to present to the Shareholders the Annual Report of The Orlando Realty Corporation Limited for the year ending December 31, 1970.

Despite the general downturn of the Canadian economy, Orlando maintained a growth rate in all phases of its operations.

FINANCIAL SUMMARY

The Company's assets have increased 28.7% from \$21,816,243 in 1969 to \$28,082,654 at the end of 1970. This increase in assets is a combination of \$5.4 million increase in income producing properties bringing the total to \$18,842,971 and \$1.4 million increase in cash and short term notes.

The addition of seven industrial buildings leased to major corporations has increased the Company's rental property portfolio by 33.6% bringing the net income from rental properties to \$603,000 during 1970.

The substantial increase in net rental income indicated above further enhances the stability of the Company's operations and allows for the deferment of income taxes with the resulting cash flow for the Company showing an increase of 22% from 96.5¢ a year ago to \$1.16 for the year 1970.

The Company's cash position allowed it to enter into contracts and lease arrangements during the year which might otherwise not have been concluded. The cash position has also allowed for the consideration of major purchases during the year. A number of real estate proposals have been studied and I am pleased to announce the purchase of 51% of the outstanding shares of Select Properties Limited, a Public real estate company with one million sq. ft. of retail commercial income producing properties.

PACKAGE PLAN DEVELOPMENT

The Company has continued to increase its construction program. Completions in 1970 totalled 1,253,590 sq. ft. compared with 719,000 sq. ft. in the previous year, an increase of 74.4%. This increase has been possible by the development of retail commercial properties including a hotel and shopping complex and a geographical expansion of our industrial development into cities beyond Metropolitan Toronto.

Income Producing Properties

Buildings were completed for nine tenants during the year of which two had the opportunity of exercising options to purchase. Both of these tenants exercised the options so that at year end the net increase to the Company's portfolio was 424,093 sq. ft. Total area of industrial and commercial buildings owned as at year end now exceeds one and one-half million sq. ft. As of year end an additional 318,830 sq. ft. were under construction. This included the new Cara Inn, a 220 room hotel complex which is jointly owned on a 50-50 basis with a life assurance company.

Other significant properties under construction are a five storey office building and a single storey office and industrial complex in Airport Park. Construction has been completed for Canada

Safeway Limited and a Chartered Bank and both have now commenced business in the East York shopping complex.

Construction Contracts

During the year, the Company has designed and built under its package plan four new buildings and three additions to existing facilities. The gross area of the buildings total 714,578 sq. ft. compared with 387,782 sq. ft. in the previous year. The increase was due substantially to construction outside of Airport Industrial Park. The largest of these projects was a 340,000 sq. ft. office, warehouse and manufacturing facility for Mattel Canada Limited. A carbonated beverage facility for the Coca-Cola Limited in London, Ontario and a warehouse addition to the Office Specialty Limited in Holland Landing were completed during the year.

LAND DEVELOPMENT

The Airport Park Development is continuing at a most satisfactory rate with 36 acres being utilized during the year. Of this acreage, six were assigned to the Cara Hotel complex.

Your Company has purchased during the year 9.32 acres for specific users. Other land acquisitions are being studied with a view toward acquiring additional properties at an opportune time.

Landscape Architects have been retained for a study of a major landscape program encompassing Airport Industrial Park. This program will further enhance the market value of lands in the Park.

THE PAVING DIVISION

The Asphalt Paving Division has completed a successful year with the asphalt plant in full production. We are anticipating an increase in sales of asphalt to others during the coming year.

PROSPECTS

The Company has extended its parameters to ensure its ever increasing development in all phases of endeavour. The Company will continue to pursue its program of industrial-commercial development to further increase its income producing property base.

I extend my sincere thanks for the concentrated efforts made by the Directors, Management and Staff to the success enjoyed in 1970.

OREY FIDANI,

President.

The Orlando Realty

Consolidated Balance Sheet

(With comparative

ASSETS

	<u>1970</u>	<u>1969</u>
Cash and short-term notes	\$ 4,294,576	\$ 2,879,925
Accounts receivable	1,172,039	934,374
Mortgages receivable (Note 2)	384,511	896,308
Contract costs less progress billings (Note 3)	—	431,075
Investment in and advances to subsidiary and associated companies, at cost (Note 4)	2,355	2,195
Properties under development, at cost (Note 5)	1,741,882	1,545,053
Income producing properties, at cost less accumulated depreciation of \$430,810 (1969 — \$302,237) (Note 6)	18,842,979	13,456,854
Land held for future development, at cost (Note 7)	671,277	586,967
Property, plant and equipment, at cost less accumulated depreciation of \$163,658 (1969 — \$76,929) (Note 8)	790,223	835,798
Prepaid expenses and sundry assets	160,608	207,727
Deferred financing expenses less amounts amortized (Note 9)	22,204	39,967

Approved on behalf of the Board:

OREY V. FIDANI, Director.

HEINZ HAMISH, Director.

<u><u>\$28,082,654</u></u>	<u><u>\$21,816,243</u></u>
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AUDITORS

To the Shareholders of
The Orlando Realty Corporation Limited.

We have examined the consolidated balance sheet of The Orlando Realty Corporation Limited and its wholly owned subsidiary as at December 31, 1970 and the consolidated statements of earnings and retained earnings, net rental cash flow and source and use of cash for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

Toronto, Canada.
April 6, 1971.

Corporation Limited

as at December 31, 1970

(figures for 1969)

LIABILITIES

	1970	1969
Accounts payable and accrued liabilities	\$ 2,269,356	\$ 1,971,142
Secured loan (Note 10)	161,974	165,672
Prepaid rents and deposits	166,266	104,637
Loans from directors	—	25,269
Progress billings on incompletd contracts, less costs incurred (Note 3)	190,309	—
Income taxes payable	28,843	395,732
Mortgages on properties under development (Note 11)	130,000	—
Mortgages on income producing properties (Note 12)	16,235,116	11,520,242
Mortgages on land held for future development (Note 13)	176,850	180,850
Deferred income taxes (Note 14)	1,949,130	1,427,371
	<u>\$21,307,844</u>	<u>\$15,790,915</u>

SHAREHOLDERS' EQUITY

Capital Stock (Note 15)

Authorized

3,000,000 shares without par value

Issued and fully paid

1,310,700 shares

Retained earnings	3,424,646	2,675,164
	<u>\$ 6,774,810</u>	<u>\$ 6,025,328</u>
	<u>\$28,082,654</u>	<u>\$21,816,243</u>

REPORT

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1970 and the results of their operations, the net rental cash flow and the source and use of their cash for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

WM. EISENBERG & CO.,
Chartered Accountants.

The Orlando Realty Corporation Limited

Consolidated Statement of Earnings

For the year ended December 31, 1970

(with comparative figures for 1969)

REVENUE	1970	1969
Construction contracts and sales of asphalt materials	\$6,963,464	\$4,752,041
Property sales	2,018,955	1,654,851
	\$8,982,419	\$6,406,892
Direct costs	7,290,899	4,733,687
Profit on construction contracts and sales of asphalt materials and properties	\$1,691,520	\$1,673,205
Rental income	\$2,414,380	\$1,871,140
Property operating expenses	\$ 668,654	\$ 577,690
Mortgage interest	1,013,503	733,365
Depreciation (Note 6)	128,572	108,485
	\$1,810,729	\$1,419,540
Net rental income	\$ 603,651	\$ 451,600
Profit from joint venture land development (Note 16)	\$ 88,567	\$ 160,343
Interest and sundry income	240,779	168,988
	\$2,624,517	\$2,454,136
EXPENSES		
Selling, general and administrative	\$ 911,899	\$ 863,800
Interest other than mortgage interest on income producing properties	25,250	25,876
Depreciation of property, plant and equipment (Note 8)	100,248	52,739
	\$1,037,397	\$ 942,415
NET EARNINGS BEFORE INCOME TAXES	\$1,587,120	\$1,511,721
Income taxes — current	\$ 315,879	\$ 415,737
— deferred (Note 14)	521,759	372,084
	\$ 837,638	\$ 787,821
NET EARNINGS	\$ 749,482	\$ 723,900
EARNINGS PER SHARE	<u>57.2¢</u>	<u>55.2¢</u>
(Based on 1,310,700 shares outstanding December 31, 1969 and 1970)		

Consolidated Statement of Retained Earnings

For the year ended December 31, 1970

(with comparative figures for 1969)

	1970	1969
Balance, beginning of the year	\$2,675,164	\$1,954,349
Net earnings for the year	749,482	723,900
	\$3,424,646	\$2,678,249
Reorganization expenses written off	—	3,085
Balance, end of the year	\$3,424,646	\$2,675,164

The Orlando Realty Corporation Limited

Consolidated Statement of Source and Use of Cash

For the year ended December 31, 1970

(with comparative figures for 1969)

Source of cash	1970	1969
Operations		
Net earnings	\$ 749,482	\$ 723,900
Add: Charges not requiring a cash outlay:		
Deferred income taxes	521,759	372,084
Depreciation	228,820	155,267
Amortization of financing expenses	17,763	13,322
Total from operations	\$1,517,824	\$1,264,573
Mortgage proceeds	5,075,000	2,563,828
Sale of income producing properties, net of mortgages	—	49,807
Issue of capital stock	—	3,350,000
Net change in other assets and liabilities	910,160	(286,260)
	<u>\$7,502,984</u>	<u>\$6,941,948</u>
Use of Cash		
Land and construction costs		
— for income producing properties	\$5,514,698	\$2,237,892
— for properties under development	196,829	1,289,726
Land held for future development	84,310	506,367
Property, plant and equipment (net)	54,672	807,906
Principal repayments on mortgages	234,126	170,948
Principal repayments on secured loan	3,698	102,856
Prior years' taxes	—	7,630
Reorganization expenses	—	3,085
	<u>\$6,088,333</u>	<u>\$5,126,410</u>
Increase in cash and short-term notes	<u>1,414,651</u>	<u>1,815,538</u>
	<u>\$7,502,984</u>	<u>\$6,941,948</u>

Consolidated Statement of Net Rental Cash Flow

For the year ended December 31, 1970

(with comparative figures for 1969)

	1970	1969
Net rental income	\$ 603,651	\$ 451,600
Add: depreciation	128,572	108,485
	<u>\$ 732,223</u>	<u>\$ 560,085</u>
Less: principal repayments on mortgages	\$ 210,126	\$ 168,447
equipment replacements	25,048	762
	<u>\$ 235,174</u>	<u>\$ 169,209</u>
Net rental cash flow	<u>\$ 497,049</u>	<u>\$ 390,876</u>

The Orlando Realty Corporation Limited

Notes to Consolidated Financial Statements

December 31, 1970

1. Principles of Consolidation

The consolidated financial statements include the accounts of The Orlando Realty Corporation Limited and its wholly-owned subsidiary, Canax Holdings Limited. Canax Holdings Limited owns an undivided 50% leasehold interest in an income producing property which was completed in March 1971 on land in which the Company has a 48% beneficial interest. Two other inactive subsidiary companies have not been consolidated in these financial statements.

2. Mortgages Receivable

These bear interest at an average annual rate of 9.7% and are receivable as to principal approximately as follows:

1971	\$ 29,634
1972	5,722
1973	6,584
1974	79,091
1975	99,081
Subsequent to December 31, 1975	164,399
	<u>\$ 384,511</u>

3. Construction Contracts

The Company takes into income only those contracts which have been substantially completed. Contracts which are not completed are shown at the net of costs incurred and progress billings.

4. Investment In and Advances to Subsidiary and Associated Companies

Investment in shares of non-consolidated subsidiary companies	\$ 240
Advances to non-consolidated subsidiary companies	1,115
Investment in shares of two 50% owned companies	1,000
	<u>\$ 2,355</u>

The two 50% owned companies jointly hold land zoned to permit the construction of 510 apartment suites. The funds used to acquire the land and to pay carrying charges such as interest and realty taxes have been provided, by agreement, by a Life Insurance Company which owns the remaining 50% of the shares of these two joint venture companies. The agreement further provides that in the event that development is not undertaken by the joint venture companies by 1975, then at the election of either the Company or the Life Insurance Company, the land may be sold with any profit or losses to be borne equally. To date, no development has commenced, but based on current appraised values, the cost of this land (including carrying charges) approximates market value. Permanent mortgage financing is currently being negotiated and management expects that the development of this land will commence in the near future.

5. Properties Under Development

These consist of income producing properties under construction, including land, construction costs and carrying costs which pertain to these properties. An undivided 50% leasehold interest in a property owned by the Company's wholly owned subsidiary, Canax Holdings Limited, is shown as a property under development. The total carrying charges capitalized in 1970 amount to \$2,853 (1969 — \$1,455).

6. Income Producing Properties Capitalization of Costs

Interest and taxes on properties developed for specific tenants are capitalized as a cost of the property up to the time that construction is completed and the rental period commences.

Carrying charges, which include only interest, taxes and maintenance costs, net of rental income, on multiple tenancy office and industrial buildings are capitalized as a cost of these properties during

construction and for a reasonable period of time after they are available for occupancy. The total carrying charges capitalized in 1970 amount to \$46,507 (1969 — nil).

Depreciation

Depreciation on the building portion of these properties has been recorded on the sinking fund method under which an increasing amount, consisting of a fixed annual amount, together with interest compounded at the rate of 5% per annum is charged to income so as to fully depreciate the building portion of the properties over a 50 year period. Depreciation on the equipment in rental properties has been provided on a straight-line basis over its estimated useful life.

7. Land Held For Future Development

Interest, taxes and other operating costs (net of rental income) directly applicable to these properties have been capitalized as part of their cost. The total carrying costs capitalized to December 31, 1970 amount to \$135,049, which includes \$46,585 capitalized during 1970.

8. Property Plant and Equipment

This includes automotive, office and contractors' moveable equipment and the cost of land, building and equipment for the asphalt batching plant.

Depreciation has been provided on a straight-line basis over the estimated useful life of these assets.

9. Deferred Financing Expenses

Expenses incurred in connection with the issue in 1969 of the capital stock of the Company are being amortized over a three year period. The amount charged to operations in 1970 is \$17,763 (1969 — \$13,322).

10. Secured Loan

This is a 9¼ % loan maturing in 1973 and is secured by a mortgage of a first mortgage held by the Company.

11. Mortgages on Properties Under Development

These mortgages bear interest at an average annual rate of 8.7% and are repayable in 1971.

12. Mortgages on Income Producing Properties

These mortgages bear interest at an average annual rate of 8.8% and are repayable as to principal approximately as follows:

1971	\$ 285,452
1972	312,528
1973	338,891
1974	379,486
1975	394,144
1976	428,558
1977	462,374
1978	627,969
1979	577,945
1980	555,588
Subsequent to December 31, 1980	11,872,181
	<u>\$16,235,116</u>

13. Mortgages on Land Held for Future Development

These mortgages bear interest at an average annual rate of 7.5% and are repayable as to principal approximately as follows:

1971	\$ 4,000
1972	31,750
1973	2,000
1974	2,000
1975	2,000
1976	2,000
1977	2,000
1978	131,100
	<u>\$ 176,850</u>

14. Deferred Income Taxes

For tax purposes, the Company has claimed amounts of depreciation which have exceeded recorded depreciation and has written off carrying charges capitalized as costs of properties and certain other property development costs in the year incurred. In addition, certain income earned has been deferred to future years as permitted under the Income Tax Act. For the foregoing reasons, income taxes otherwise currently payable on the excess earnings reported for statement purposes over taxable income have been recorded as deferred income taxes.

15. Capital Stock

The Company has reserved 39,050 shares of its authorized capital stock for employees' stock options which may be exercised on or before April 30, 1974 at a price of \$10 per share.

16. Profit From Joint Venture Land Development

The Company participates with the owner of a land development project in the profits earned on land sales. Under the terms of this joint venture agreement, the profits are payable to the Company only as they are received by the owner and are included in income on this basis.

17. Lease Obligations

Annual minimum rentals payable (exclusive of taxes, insurance and other occupancy charges) under leases expiring in 1971, 1972 and 1999 amount to \$46,707.

18. Remuneration of Directors and Senior Officers

Remuneration paid to directors and senior officers in 1970 amounted to \$324,250 (1969 — \$267,800).

19. Comparative Figures

Certain figures in the 1969 statement of source and use of cash have been reclassified to conform with the current presentation.

The Orlando Realty Corporation Limited

CONSTRUCTION PROGRAM — 1970

Tenant:
Complete in 1970

LEASED BUILDINGS

	Location:	Building Area Sq. Ft.
Stange Canada Limited (sold)	3340 Orlando Drive *	61,932
Northern Gilbro Manufacturing Ltd. (sold)	3325 Orlando Drive *	63,253
Tek Plastics Ltd.	6415 Viscount Road	160,000
The Magnavox Company	3155 Orlando Drive *	39,384
Price Wilson Ltd.	6525 Northwest Drive *	50,972
Glaverbel Glass Limited	8484 Keele Street	150,663
Allis-Chalmers Canada Limited Addition	3230 American Drive *	11,574
Air Sea Forwarding Ltd.	6471 Northam Drive *	2,500
Allan Crawford Associates Ltd.	6427 Northam Drive *	9,000
	Sub Total	424,093
	Total	549,278

Under Construction as of December 31, 1970

Cara Inn	6257 Airport Road (220 Room Hotel) *	106,000
Shopping Complex:	Dawes Road & Gower Street	
Canada Safeway Limited		12,719
Bank of Montreal		1,997
Northam Industrial Mall	Northam Drive *	133,500
Orlando Office Building	6205 Airport Road *	64,416
		318,830

OWNER:

CONSTRUCTED FOR OTHERS

Completed in 1970

	Location:	Building Area Sq. Ft.
Mennen Co. Ltd.	6400 Northwest Drive *	41,960
Mattel Canada Limited	500 Islington Ave. South	340,000
Fairmont Railway Motors Ltd.	6320 Northwest Drive *	27,000
Mills Warehousing Ltd. Addition	6435 Northwest Drive *	96,364
Coca-Cola Limited	950 Greenvalley Road, London, Ontario	82,470
American Can of Canada Limited Addition	3300 American Drive *	69,665
Office Specialty Ltd.	Holland Landing	57,129
	Total	714,578

Under Construction as of December 31, 1970

Copeland Laboratories Ltd.	41 Racine Road	14,430
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* In Airport Park

